Statement of financial performance

for the year ended 31 March 2008

	Notes	2008 R'000	2007 R'000
Continuing operations			
Research revenue	1.1	**113 628**	124,605
Research cost	1.2	**(40 963)**	(49 811)
Gross research income		**72 665**	74 794
Parliamentary grants	2.2	**101 797**	96 979
Parliamentary grants ring-fenced	2.3	**28 667**	10 500
Other income	3	**20 234**	13 476
		223 363	195 749
Administrative expenses	4	**(63 962)**	(66 475)
Staff costs	5.1	**(128 132)**	(104 057)
Other operating expenses	6	**(19 459)**	(16 412)
Depreciation	7	**(4 191)**	(3 794)
Surplus for the year		**7 619**	**5 011**

Statement of financial position

as at 31 March 2008

	Notes	2008 R'000	2007 R'000
Assets			
Non-current assets			
Property, plant and equipment	8.1	**91 029**	87 944
Intangible assets	8.2	**1 394**	1 476
Operating lease		**255**	46
		92 678	89 466
Current assets			
Inventories	9	**3 631**	3 268
Trade and other receivables	10	**35 854**	33 447
Prepayments and advances	11	**1 820**	946
Cash and cash equivalents	12	**46 864**	29 393
Operating lease		**50**	-
		88 219	67 054
Total assets		**180 897**	**156 520**
Net assets and liabilities			
Capital and reserves			
Net assets		**97 905**	90 286
Deferred income	16	**13 669**	3 566
		111 574	93 852
Current liabilities			
Trade and other payables	17	**19 374**	19 604
Income received in advance	18	**39 839**	33 017
Provisions	19	**10 110**	9 748
Operating lease		**-**	299
		69 323	62 668
Total net assets and liabilities		**180 897**	**156 520**

Statement of changes in net assets

for the year ended as at 31 March 2008

	Surplus funds R'000	Capital funds R'000	Deferred income R'000	Total R'000
Balance at 1 April 2006	10 225	75 050	4 331	89 606
Net surplus for the year	5 011	-	-	5 011
Portion of Parliamentary grants utilised to acquire depreciable fixed assets for the year	-	-	2 335	2 335
Transfer to surplus fund	385	(385)	(3 100)	(3 100)
Balance at 1 April 2007	15 621	74 665	3 566	93 852
Net surplus for the year	7 619	-	-	7 619
Allocated from income during the year	-	-	-	-
Portion of Parliamentary grants utilised to	-	-	12 746	12 746
acquire depreciable fixed assets for the year	-	-	(2 643)	(2 643)
Balance at 31 March 2008	**23 240**	**74 665**	**13 669**	**111 574**

Cash flow statement

for the year ended 31 March 2008

	Notes	2008 R'000	2007 R'000
Cash flows from operating activities			
Cash receipts from customers		270 667	240 618
Cash paid to suppliers and employees		(252 069)	(226 821)
Net cash inflows from operating activities	20	**18 598**	13 797
Cash flows from investing activities			
Proceeds on disposal of property, plant and equipment		-	42
Proceeds from investment		6 229	2 483
Acquisition of property, plant and equipment		(7 356)	(2 832)
Net cash outflows from investing activities	21	**(1 127)**	(307)
Net increase in cash and cash equivalents		**17 471**	13 490
Cash and cash equivalents at the beginning of the year		**29 393**	15 903
Cash and cash equivalents at the end of the year	12	**46 864**	**29 393**

Accounting policies

for the year ended 31 March 2008

1. Accounting policies

The Annual Financial Statements have been prepared on the historical cost basis, except for the measurement of certain financial instruments at fair value and include the following principal accounting policies, which in all material aspects are consistent with those applied in the previous year, except as otherwise indicated.

1.1 Basis of presentation

The Financial Statements have been prepared in accordance with the South African Statements of Generally Accepted Accounting Practice (GAAP) including any interpretations of such statements issued by the Accounting Practices Board, with the prescribed Standards of Generally Recognised Accounting Practices (GRAP) issued by the Accounting Standards Board replacing the equivalent GAAP Statement as follows:

Standard of GRAP	Replaced statement of GAAP
GRAP 1: Presentation of Financial Statements	AC101: Presentation of Financial Statements
GRAP 2: Cash flow statements	AC118: Cash flow statements
GRAP 3: Accounting policies, changes in accounting estimates and errors	AC103: Accounting policies, changes in accounting estimates and errors

(a) Terminology differences:

Standard of GRAP	Replaced statement of GAAP
Statement of financial performance	Income statement
Statement of financial position	Balance sheet
Statement of changes in net assets	Statement of changes in equity
Net assets	Equity
Surplus/deficit for the period	Profit/loss for the period
Accumulated surplus/deficit	Retained earnings
Contributions from owners	Share capital
Distributions to owners	Dividends
Reporting date	Balance sheet date

(b) The cash flow statements can only be prepared in accordance with the direct method.

(c) Specific information such as:
   (i) receivables from non-exchange transactions, including taxes and transfers;
   (ii) taxes and transfers payable;
   (iii) trade and other payables from non-exchange transactions;
   must be presented separately on the statement of financial position.

(d) The amount and nature of any restrictions on cash balances is required to be disclosed. Paragraph 11 - 15 of GRAP 1 has not been implemented as the budget reporting standard is in the process of being developed by the international and local standard setters. Although the inclusion of budget information would enhance the usefulness of the Financial Statements, non-disclosure will not affect fair presentation.

1.2 Presentation Currency

These Financial Statements are presented in South African Rands, since that is the currency in which the majority of the entity's transactions are denominated.

1.3 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow and can be reliably measured. Revenue is measured at fair value of the consideration receivable on an accrual basis. Revenue includes investment and non-operating income exclusive of value-added taxation. The following specific recognition criteria must also be met before revenue is recognised:

Research revenue

Revenue that resulted from the rendering of research and related services is recognised at the stage of completion, determined according to the percentage cost to date in relation to the total estimated cost of the project.

Other income

Revenue from the sale of goods is recognised when significant risk and rewards of ownership of goods are transferred to the buyer. Revenue from royalties are recognised on an accrual basis in accordance with the substance of the relevant agreement. Rental income is recognised in accordance with the stipulations of the rental agreement.

Interest income

Revenue is recognised as interest accrued using the effective interest rate.

Parliamentary grants

Parliamentary grants are recognised in the year to which they relate, once reasonable assurance has been obtained that all conditions of the grants have been complied with and the grants have been received.

Parliamentary grants for depreciable and non-depreciable assets

- Depreciable assets
  Current year Parliamentary grants in respect of depreciable assets (excluding buildings) are allocated to income over the period of and in proportion to the depreciation, which is written off against such assets. A corresponding amount in respect of the relevant non-depreciable assets disposed of during the year is also allocated to income in the period in which it is disposed of. The balance of the Parliamentary grants not recognised in the income statement is disclosed as deferred income.

- Non-depreciable assets
  Parliamentary grants in respect of non-depreciable assets are allocated to income when received. A corresponding amount is then transferred from income funds to capital funds as an appropriation of accumulated funds per the statement of changes in net assets.

1.4 Property, plant and equipment

Freehold land and buildings

Freehold land and buildings are accounted for separately.

Freehold land

Land has an unlimited useful life and therefore is not depreciated but stated at fair value.

Freehold buildings

Buildings will be treated as owner-occupied property. Owner-occupied property will be stated at fair value less depreciation.

The HSRC identified the following major components of buildings.

- Lifts
- Telephone system
- Fixtures
- Building

The annual depreciation rates applied to the various components of buildings are:

	Useful life
• Lifts	20 years
• Telephone system	10 years
• Fixtures	15 years
• Building	100 years

Valuation method

A valuation method of owner-occupied property will be performed every three years, based on the income capitalisation method. The market value is determined from the ability of the property to produce a rental income taking into account the expenses to produce, the rental income which is capitalised at a market-related rate and taking into account the risk, age and condition of the property with existing buildings. Any surpluses that occur due to the revaluation of land and buildings are allocated to capital funds.

Equipment and vehicles

Artwork is treated as an investment and is not depreciated; it is carried at fair value.

All other types of equipment are stated at cost less accumulated depreciation and impairment losses.

The depreciation is calculated at rates considered appropriate to reduce the cost of asset less residual value over their estimated useful life. Residual values and estimated useful lives are revised annually.

The annual depreciation rates applied to the various categories of equipment are:

	Useful life
• Motor vehicles	5 years
• Office equipment	15 years
• Computer and other equipment	5 years
• Library books and manuscripts	20 years

All assets that were bought with donor funds or grants, except freehold land and buildings, and that were donated to the community of termination of the project, are depreciated fully over the lifetime of the project.

1.5 Intangible assets

Software is classified as intangible assets. Initial expenditure on software is recognised at cost and capitalised. Subsequently expenditure is capitalised only when it increases the future economic benefits embodied in the asset to which it relates. The amortisation is calculated at a rate considered appropriate to reduce the cost of asset less residual value over its estimated useful life. Residual values and estimates useful lives are revised annually.

The expected life of the software is 20 years.

1.6 Inventories

Inventories are valued at the lower of cost price or net realisable value. The net realisable value is the net of the selling price, during normal business, less any completion costs or selling costs. Cost is determined on the weighted average method. Inventories are made up of one category, namely publications.

1.7 Operating leases

Lease agreements are classified as operating leases where substantially the entire risks and rewards incident to ownership remain with the lessor. Lease income is recognised on a straight-line basis over the lease term. Costs incurred in earning lease income are charged against income. Initial direct costs incurred specifically to obtain the operating lease are written off when incurred.

1.8 Retirement benefit

Pensions are provided for employees by means of three separate pension funds to which contributions are made. With regard to the HSRC Pension Fund (HSRCPF), and with effect from 1 April 1992, previous and current service costs and adjustments based on experience and additional funding for retired employees are acknowledged in the statement of financial performance as soon as the liability is known. With regard to the Associated Institutions Pension Fund (AIPF) and the Temporary Employees Pension Fund (TEPF), only the Council's contributions to the respective pension funds are recognised in the statement of financial performance.

1.9 Post-retirement medical aid benefits

The HSRC contributed voluntarily to post-retirement medical aid benefits of specific employees who opted to remain on the previous conditions of service when the benefit was terminated. The HSRC does not provide for post-retirement medical aid benefits to any other category of employees.

1.10 Deferred income

Parliamentary grants in respect of certain depreciable assets are allocated to income over the period of, and in proportion to, the depreciation written off against such assets. A corresponding amount in respect of the relevant non-depreciable assets disposed of during the year is allocated to income in the period in which it is disposed of. The balance of Parliamentary grants not recognised in the Statement of Financial Performance is disclosed as deferred income. Other funds, including prior period surplus funds that are utilised in respect of the acquisition of depreciable assets, are not treated as deferred income.

1.11 Foreign currency transactions

Transactions in foreign currencies are accounted for at the rate of exchange ruling on the date of the transaction. Liabilities in foreign currencies are translated at the rate of exchange ruling at the reporting date or at the forward rate determined in forward exchange contracts. Exchange differences arising from translations are recognised in the statement of financial performance in the period in which they occur.

1.12 Capital funds

A Parliamentary grant in respect of non-depreciable assets is allocated to income when it is received. A corresponding amount is then transferred from income funds to capital funds as an appropriation of accumulated funds per the statement of changes in net assets. Other funds, including prior period surplus funds, that are utilised in respect of the acquisition of non-depreciable assets are not accounted for in capital funds.

1.13 Provisions

Provisions are raised when a present legal or constructive obligation exists as a result of a past event and it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

1.14 Financial instruments

The HSRC's financial instruments are cash and cash equivalents, trade and other receivables and trade and other payables.

The following table shows the classification of the HSRC's principal instruments together with their carrying value:

Financial instrument	Classification	Carrying amount 2008 R'000	Carrying amount 2007 R'000
Cash and cash equivalents	Loans and receivables	46,864	29,393
Trade and other receivables	Loans and receivables	28,848	20,850
Trade and other payables	Financial liabilities	19,374	19,604

Recognition

Financial instruments are initially recognised using the trade date accounting method.

Financial assets

Financial assets are classified at fair value through surplus or deficit, loans and receivables, or held to maturity investment, as appropriate. When financial assets are recognised initially, they are measured at fair value.

The HSRC determines the classification of its financial assets on initial recognition and, where allowed and appropriate, re-evaluates this designation at each financial year.

Impairment of financial assets
The HSRC assesses at each reporting date whether a financial asset or group of financial assets is impaired.

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, loans and receivables are carried at amortised cost using the effective interest method less any allowance for impairment. Gains and losses are recognised in profit or loss when the receivables are derecognised or impaired, as well as through the amortisation process.

Assets carried at amortised cost
In relation to trade receivables, a provision for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the HSRC will not be able to collect all of the amounts due under the original terms of the invoice. The carrying amount of the receivable is reduced through use of an allowance account. Impaired debts are derecognised when they are assessed as uncollectible.

Cash and cash equivalents
Cash and short-term deposits in the statement of financial position comprise cash at banks and on hand and short-term deposits with an original maturity of three months or less. For the purpose of the cash flow statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

Cash and cash equivalents are recognised at cost.

Financial liabilities
Payables
Payables are initially recognised at fair value. After initial recognition, payables are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in the statement of financial performance.

1.15 Related parties
The HSRC operates in an economic sector currently dominated by entities directly or indirectly owned by the South African Government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the national sphere of government are considered to be related parties.

Key management is defined as being individuals with the authority and responsibility for planning directing and controlling the activities of the entity. We regard all individuals from the level of executive director and Council members as key management per the definition of the financial reporting standard.

Close family members of key management personnel are considered to be those family members who may be expected to influence, or be influenced by key management individuals, in their dealings with the entity.

1.16 Impairment of assets

The HSRC assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the entity estimates the recoverable amount of the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined.

The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use. If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That excess is an impairment loss and it is charged to the statement of financial performance.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in the statement of financial performance. Any impairment deficit of a revalued asset is treated as a revaluation decrease in the capital funds.

An impairment deficit is recognised for cash-generating units if the recoverable amount of the units is less than the carrying amount of the units. The impairment deficit is allocated to reduce the carrying amount of the assets of the unit in the following order:

- first, to reduce the carrying amount of any goodwill allocated to the cash-generating unit, and
- then, to the other assets of the unit, pro rata on the basis of the carrying amount of each asset in the unit.

The HSRC assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated and matched against their carrying values and any excess of the recoverable amounts over their carrying values is reversed to the extent of the impairment loss previously charged in the statement of financial performance.

Notes to the annual financial statements

for the year ended 31 March 2008

	2008 R'000	2007 R'000
1.1 Research revenue		
Rendering of services:		
Private sector	**2 949**	2 943
Public corporations	**10 647**	4 636
Public sector	**31 088**	45 306
International funding agencies	**66 949**	68 047
National funding agencies	**1 525**	2 675
Professional services	**470**	998
Total	**113 628**	**124 605**
1.2 Research cost		
Direct labour expense	**10 507**	17 096
Direct research cost	**30 456**	32 715
Total	**40 963**	**49 811**

2. Parliamentary grants

	2008 R'000	2007 R'000
2.1 Total Parliamentary grants allocation from DST:		
Parliamentary grants	**100 917**	97 038
VAT portion	**19 705**	12 335
Parliamentary grants ring-fenced	**39 827**	10 500
	160 449	119 873
2.2 Grant allocation as per statement of financial performance		
Parliamentary grants	**101 797**	96 979
Parliamentary grants received	**101 603**	96 214
Plus: Transferred from deferred income	**194**	765
2.3 Special Parliamentary grants	**28 667**	10 500
Special Parliamentary grants	**39 827**	10 500
Less: Rolled over portion	**(11 160)**	-
Total	**130 464**	**107 479**

	2008 R'000	2007 R'000

3. Other income

	2008 R'000	2007 R'000
Rental income	8 724	7 034
Product sales	1 256	798
Interest	6 229	2 483
Non-research related income	4 025	3 161
Total	**20 234**	**13 476**

The HSRC's rental income is derived from rental of office space and parking to the Department of Social Development as well as from rental of conference facilities.

4. Administrative expenses

	2008 R'000	2007 R'000
General expenses	62 389	65 859
Auditor's remuneration	1 462	802
Audit fees - external	875	265
- internal	621	537
Net foreign exchange losses/(gains)	77	(186)
Total	**63 962**	**66 475**

5. Staff costs

	2008 R'000	2007 R'000
5.1 Wages and salaries	118 728	96 260
Defined benefit pension plan expense	128	93
Defined contribution plan	8 772	7 164
Social contributions (employer's contributions)	62	60
– Official unions and associations		
Post-retirement medical benefit	442	480
Total	128 132	104 057
5.2 Non-benefit portion of salaries	10 507	17 096
(Direct labour expense refer to Note 4)		
Total	**138 639**	**121 153**

5.2 Non-benefit portion of salaries continued

Council members and executive management remuneration

2008	Council members fees R	Projects R	Executive management remuneration Basic salary R	Total R
Council members				
Ms PN Gasa	2 083	-	-	2 083
Professor GJ Gerwel (Chair)	11 204	-	-	11 204
Dr P Gobodo-Madikizela	-	-	-	-
Professor WE Morrow	28 043	-	-	28 043
Mr ME Motala	36 447	-	-	36 447
Mr SM Pityana	-	-	-	-
Mr MV Sisulu	12 262	-	-	12 262
Professor EC Webster	8 354	-	-	8 354
Ms P Ntombela-Nzimande	14 108	-	-	14 108
Mr T Makwetu	22 190	-	-	22 190
Executive member				-
Dr O Shisana (President and CEO)	-	-	1 677 400	1 677 400
Senior management				-
Executive directors*	-	-	7 928 563	7 928 563
Total	**134 691**	**-**	**9 605 963**	**9 740 654**
2007 Total	116 703	207 330	9 718 890	10 042 923

* Executive directors of the HSRC as on 31 March 2008 are listed below:

2008
Dr M Altman
Mr MJ de Klerk
Prof. AM Habib (until 31/08/07)
Prof. MJ Kahn
Dr A Kanjee
Dr T Masilela
Dr U Pillay
Prof. LM Richter
Dr L Rispel (until 31/01/08)
Mr G Makakane (01/07/07 to 20/03/08)
Dr KM Kondlo
Dr V Reddy

	2008 R'000	2007 R'000

6. Other operating expenses

Staff training and development	**1 167**	2 156
Legal fees	**298**	328
Maintenance, repairs and running costs	**13 900**	9 942
– Property and buildings	**(4)**	(247)
– Machinery and equipment	**4 910**	1 614
– Other maintenance repairs and running costs	**8 994**	8 575
Entertainment expense	**759**	378
Fruitless and wasteful expenditure (fraud)	**-**	57
Loss on disposal of assets	**-**	842
Non-research related expenses	**3 335**	2 709
Total	**19 459**	**16 412**

7. Depreciation (Including amortisation)

Lifts	**158**	158
Telephone system	**72**	72
Fixtures	**3**	3
Building	**655**	651
Leasehold property	**379**	321
Motor vehicles	**196**	185
Office equipment	**992**	(443)
Computer and other equipment	**1 654**	2 767
Software	**82**	80
Library books and manuscripts	**-**	-
Total	**4 191**	**3 794**

8. Non-current assets

8.1 Property, plant and equipment

2008	Total R'000	Land R'000	Lifts R'000	Telephone systems R'000	Fixtures R'000	Buildings R'000	Leasehold property R'000	Artwork R'000	Motor vehicles R'000	Office furniture R'000	Computer and other equipment R'000	Library books R'000
Opening net carrying amount	**87 944**	**5 138**	**3 002**	**617**	**44**	**67 316**	**642**	**240**	**706**	**3 558**	**6 681**	**-**
– Gross carrying amount	**123 576**	5 138	3 334	765	51	68 712	1 449	240	1 263	7 059	30 839	4 726
– Accumulated depreciation	**(35 632)**	-	(332)	(148)	(7)	(1 396)	(807)	-	(557)	(3 501)	(24 158)	(4 726)
Additions	**7 356**	-	-	-	2 058	498	1 764	-	587	536	1 913	-
Disposal and adjustments	**(162)**	-	-	-	-	-	-	(43)	(258)	102	37	-
– Carrying amount	**(3 215)**	-	-	-	-	-	-	(43)	(453)	(2 110)	(609)	-
– Accumulated depreciation	**3 053**	-	-	-	-	-	-	-	195	2 212	646	-
Depreciation	**(4 109)**	-	(158)	(72)	(3)	(655)	(379)	-	(196)	(319)	(2 327)	-
Closing net carrying amount	**91 029**	**5 138**	**2 844**	**545**	**2 099**	**67 159**	**2 027**	**197**	**839**	**3 877**	**6 304**	**-**
– Gross carrying amount	**127 717**	5 138	3 334	765	2 109	69 210	3 213	197	1 397	5 485	32 143	4 726
– Accumulated depreciation	**(36 688)**	-	(490)	(220)	(10)	(2 051)	(1 186)	-	(558)	(1 608)	(25 839)	(4 726)

2007	Total R'000	Land R'000	Lifts R'000	Telephone systems R'000	Fixtures R'000	Buildings R'000	Leasehold property R'000	Artwork R'000	Motor vehicles R'000	Office furniture R'000	Computer and other equipment R'000	Library books R'000
Opening net carrying amount	**89 352**	**5 138**	**3 160**	**689**	**47**	**67 967**	**950**	**240**	**891**	**2 744**	**7 526**	**-**
– Gross carrying amount	121 304	5 138	3 334	765	51	68 712	1 436	240	1 263	6 688	28 951	4 726
– Accumulated depreciation	(31 952)	-	(174)	(76)	(4)	(745)	(486)	-	(372)	(3 944)	(21 425)	(4 726)
Additions	2 348	-	-	-	-	-	13	-	-	371	1 964	-
Disposal and adjustments	(42)	-	-	-	-	-	-	-	-	-	(42)	-
– Carrying amount	(76)	-	-	-	-	-	-	-	-	-	(76)	-
– Accumulated depreciation	34	-	-	-	-	-	-	-	-	-	34	-
Depreciation	(3 714)	-	(158)	(72)	(3)	(651)	(321)	-	(185)	443	(2 767)	-
Closing net carrying amount	**87 944**	**5 138**	**3 002**	**617**	**44**	**67 316**	**642**	**240**	**706**	**3 558**	**6 681**	**-**
– Gross carrying amount	123 576	5 138	3 334	765	51	68 712	1 449	240	1 263	7 059	30 839	4 726
– Accumulated depreciation	(35 632)	-	(332)	(148)	(7)	(1 396)	(807)	-	(557)	(3 501)	(24 158)	(4 726)

8.1 Property, plant and equipment continued

The land is registered as Stand 3242 Pretoria, measuring 7 655 m^2, Registration division JR, Transvaal and is situated at 134 Pretorius Street, Pretoria. The building consists of a reception area, offices, parking area, conference centre and a cafeteria built on land as mentioned above. The valuation was conducted in March 2006 by an independent valuer, Mr Nico Fenwick of Fenwick Valuations, using the income capitalisation method. Transactions involving the sale of other buildings were investigated as an alternative basis of valuation but were not used because of uncertain comparability. Under the income capitalisation method, the market value is determined from the ability of the property to produce a rental income, taking into account the expense to produce the rental income, capitalised at a market-related rate, taking into account the risk, age and condition of the property with existing buildings.

The rental income is based on the ability of the building to produce market-related income stream, based on market-related rentals, and it is determined on a five-year lease period with an escalation of 10% per year.

	2008 R'000	2007 R'000
8.2 Intangible assets		
Software		
Opening net carrying amount	**1 476**	1 072
– Gross carrying amount	**1 641**	1 157
– Accumulated amortisation	**(165)**	(85)
Additions	**-**	484
Amortisation	**(82)**	(80)
Closing net carrying amount	**1 394**	1 476
– Gross carrying amount	**1 641**	1 641
– Accumulated amortisation	**(247)**	(165)

9. Inventories

Finished goods	**3 631**	3 268
Total	**3 631**	**3 268**

10. Trade and other receivables

Trade receivables	**38 127**	34 112
Less: Allowance for doubtful debts	**(4 557)**	(2 609)
Trade receivables (Net)	**33 570**	31 503
VAT input	**2 284**	1 944
Total	**35 854**	**33 447**

	2008 R'000	2007 R'000

11. Prepayments and advances

Prepayments	1 820	946
Total	**1 820**	**946**

12. Cash and cash equivalent

Cash and cash equivalents comprise cash and short-term highly liquid investments that are held with registered banking institutions with maturities of three months or less and that are subject to insignificant interest rate risk. The carrying amount of these assets approximates to their fair value.

Cash at bank	14 576	1 470
Cash on hand	30	30
Short-term investments	32 258	27 893
Total	**46 864**	**29 393**

Included in the short-term investments are the following funds invested on behalf of donors:

Conflict and Governance Facility	-	339
Ford Foundation	1 207	490
Department of Social Development	-	854
Canadian International Development Agency	-	450
WK Kellogg Foundation	-	4 941
Royal Netherlands Embassy	5 318	-
Department of Science and Technology	6 045	-
Other	13 108	13 224
	25 678	20 298
Short-term investments	6 580	7 595
Total short-term investment	32 258	27 893
Cash at bank	14 576	1 470
Cash on hand	30	30
Total cash and cash equivalents	**46 864**	**29 393**

As required in Sections 7(2) and 7(3) of the Public Finance Management Act, the National Treasury has approved the local bank where bank accounts are held.

13. Pension funds

Pension benefits are provided by membership of the Associated Institutions Pension Fund (AIPF), the Government Employees Pension Fund (GEPF) and the HSRC Pension Fund (HSRCPF). The AIPF and GEPF are government institutions. The state has assumed responsibility for any under-funding of these funds. The HSRCPF is a defined benefit and a defined contribution retirement fund that provides lump-sum payments and pensions to retiring staff and/or their dependants as well as death and disability benefits. The HSRCPF is registered in terms of the Pension Funds Act 1956 (as amended).

The administrators of the fund, ABSA Consultants and Actuaries, completed an additional interim valuation of the fund to coincide with the HSRC financial year-end. For the purpose of this valuation, the assets in respect of the defined contribution members (233 members) were taken into account at full market value as these members are now entitled to the full market value of their investments achieved under the HSRCPF. The total value of the assets of the defined contribution members, as at the valuation date, amounted to R70, 289 million.

With regard to the pensioners and the three members entitled to defined benefits, the assumptions made regarding the expected trajectory of the HSRCPF included number of deaths, withdrawals or early retirements. These assumptions as well as expected rates of salary increase, return on investment and operational costs, were used to calculate the discounted value of the accrued liabilities for all of the defined benefit members on the interim valuation date for comparison with the available assets of the HSRCPF (See table hereafter). On this basis, the accrued liability of the HSRCPF to these members as at the additional interim valuation date amounted to R2,161 million.

	Defined benefit pension fund	
	2008 R'000	2007 R'000
13.1 Pension fund valuation		
Present value of funded liabilities	**2 161**	1 729
Fair value of plan assets	**(10 416)**	(9 962)
Funded status	**(8 255)**	(8 233)
Actuarial gains	**(694)**	1 285
Net asset	**(8 949)**	(6 948)
Number of members	**3**	3

The apportionment of the surplus will be completed with the finalisation of the statutory valuation of the fund for October 2005, therefore the asset cannot be determined at 31 March 2008.

13.2 Principal actuarial assumptions

	%	%
Valuation rate	**9.3**	7.7
Inflation rate	**6.8**	5.0
Salary increase rate	**7.8**	6.0
Expected investment return rate	**10.8**	9.0

13.2.1 Valuation rate of interest

IAS19 requires that the interest rate be determined by the current market yield of government bonds. The discount rate was based on the yield of the R186 government bond.

13.2.2 General inflation rate

The difference between the yield on a fixed interest government bond and the yield on an index-linked government bond will give an indication of the inflation expectation in the market. For this purpose, the yield on the R186 fixed interest government bond and the R197 index-linked government bond as at each of the given valuation dates were used.

13.2.3 Salary inflation

It is the opinion of the actuary that over the long term, salary inflation will exceed general inflation by 1.0% per annum. Allowance was also made for the merit increases used in the statutory valuation of the HSRCPF.

13.2.4 Expected investment return

The expected rate of return was determined by referring to the expected long-term rate of return on the different asset classes. It was assumed that investment returns will exceed general inflation by 4.0% after allowing for investment-related expenses.

13.2.5 Pension increases

Provision for future increases in pension payments were made to the extent that the investment return exceeds a rate of 6% per annum and is consistent with the provision made during the previous statutory valuation of the HSRCPF.

13.2.6 Demographic assumptions

The demographic assumptions used are consistent with those used in the previous statutory valuation of the HSRCPF. These assumptions are not affected by market conditions but rather by the actual experience under the fund.

	2008 R'000	2007 R'000
	HSRC defined benefit pension fund %	HSRC defined contri-bution fund %
13.3 Pension fund members		
Members as a percentage of total employment	**0.74**	0.82
Contribution rate	**28.30**	28.30
Member's contribution (% of pensionable salary)	**8.00**	8.00
Employer conribution (% of pensionable salary)	**20.30**	20.30

13.4 Active members

	2008 Females	**2008 Total**	2007 Females	2007 Total
13.4.1 Defined benefit members				
Number of members	**3**	**3**	3	3
Annual salary (R'000)	**433**	**433**	366	366
Salary weighted average age	**59.6**	**59.6**	58.6	58.6
Salary weighted average service	**13.8**	**13.8**	12.7	12.7

	2008 Females	2008 Total	2007 Females	2007 Total
13.4.2 Pensioners				
Number of pensioners	**2**	**2**	2	2
Annual pension (R'000)	**22**	**22**	21	21
Salary weighted average service	**66.5**	**66.5**	65.5	65.5

13.5 Valuation of assets and obligations

The value placed on the assets of the Fund for valuation purposes should be determined on a basis which is consistent with the valuation basis used to determine the obligations of the Fund. The value placed on the assets of the Fund in respect of the defined benefit category was calculated by increasing the assets of R9 962 000 as at 31 March 2007, plus contributions less benefits paid, all inclusive with investment return of 3.8% per annum. The investment return of 3.8% per annum was the net return earned on the Balanced portfolio managed by Advantage.

Cash flows and membership data as provided by the administrators of the Fund was used. A summary of the membership data used is set out below.

The method used to place a value on the Fund's future obligations (the Projected Unit Credit Method) is consistent with the requirements of IAS19.

	2008 R'000	2007 R'000
The results of the calculations as at 31 March 2008 compared with the results as at 31 March 2007 were as follows:		
Total obligations	**2 161**	1 729
Value placed on assets	**(10 416)**	(9 962)
Surplus/(shortfall)	**(8 255)**	(8 233)
Funding level (%)	**482.0**	576.2

* Excludes defined contribution members' equitable shares to the amount of R70 289 000 as at 31 March 2008.

The economic benefit available to the employer in respect of assets in the Fund is subject to the terms and conditions of the Pension Funds Act. These results should therefore be read in conjunction with the Act, the rules of the Fund and the previous actuarial valuation report.

Furthermore, the utilisation of any surplus for the benefit of the employer is subject to the provisions of the Pension Funds Second Amendment Act of 2001.

During the period, the surplus apportionment scheme was submitted to the Financial Services Board. An amount of approximately R2 224 000 was set aside as at 1 October 2004 to be allocated to former members. This amount increased with investment return to approximately R4 106 000 as at 31 March 2007. A surplus Apportionment Cost Reserve Account of approximately R525 000 as at 1 October 2004 was furthermore also set aside for the potential cost of the surplus apportionment. This reserve increased to approximately R970 000 as at 31 March 2007. These amounts are included in the surplus shown above but could be seen as additional obligations as at 31 March 2007.

13.6 Cost of benefits accruing

The calculation relating to the cost and benefits that were paid or accrued in respect of employees during the financial period 1 April 2007 to 31 March 2008 are as follows:

	R'000
Cost of service-related benefits	139
Cost of death benefits	25
Operational expenses	3
Total current service cost	167
Benefits paid in respect of this period	
Cost of death benefits	21
Operational expenses	25
Less: Reassurance recoveries	3
Net benefits	49
Employer contributions paid during the period (currently 20.3% of salaries) (3 employees)	87
Employer contributions paid during the period (currently 8% of salaries) (3 employees)	34
Total contributions	121

The above contributions exclude contributions in respect of members in the defined contribution category.

Based on the above information, the actuarial gains/losses were calculated and the build-up of obligations and assets over the period are as follows:

Obligation as at 31 March 2007 (excluding defined contribution members' equitable shares)	1 729
Interest cost	138
Current service cost	167
Benefits period	(49)
Actuarial loss/(gain) on obligation	176
Obligation as at 31 March 2008	**2 161**
Actual return on assets	382
Less: Expected return	(900)
Actuarial gain on assets	(518)
Fair value of assets as at 31 March 2007 (excluding defined contribution members' equitable shares)	9 962
Expected return	900
Contributions	121
Benefits paid	(49)
Actuarial gain/(loss) on assets	(518)
Fair value of assets as at 31 March 2008	**10 416**

In calculating the liability under the Fund, standard actuarial methodologies have been applied, all based on the information provided to the actuaries.

The salary weighted average future working lifetime of the active members entitled to benefits on a defined, was calculated as 1.3 years.

14. Post-retirement medical benefits

14.1 Defined contribution plan

As from 1 August 1997, post-retirement medical benefits are provided by membership of a Provision Fund administered by Liberty Group Limited.

The HSRC, for staff who did not belong to the medical aid scheme on 1 August 1997, contributes a monthly amount of R100 to the Fund on behalf of the members. The HSRC, for staff who joined the service of the HSRC after 1 April 1998, irrespective of whether they joined the medical aid scheme or not, contributes an amount of R100 per month to the Fund on behalf of the members.

14.2 Voluntary contributions

Currently the HSRC contributes voluntarily to the current continuation members (88 members) an average amount of R492 per month. There is one member in active employment who is entitled to this contribution after continuation as at 31 March 2008. If this contribution was guaranteed by the HSRC, the actuarial accrued liability would have been R3,759 million.

14.3 Liabilities

The liabilities for HSRC with regard to subsidies in respect of continuation member health care costs can reasonably be regarded as the following:

– The liability in respect of existing continuation members
– The liability in respect of members in active employment

For the members in active employment, the total liability is normally assumed to accrue evenly over the full potential period of active membership starting from the date of joining the HSRC up to the date of death, disability or retirement.

The result of these calculations is an estimate of the cost of these subsidies, based on assumptions regarding the future experience, and does not influence the actual cost of these subsidies. The actual cost will be determined by the actual experience in the future.

The previous assessment of the liability with regard to subsidies in respect of continuation member health care costs was done on 31 March 2007. The next assessment of the liabilities needs to be performed at the next financial year-end.

14.4 Particulars of the liabilities

In respect of the members in active employment, the employer subsidises 50% of the subscription (excluding contributions towards a medical savings account) to the applicable Discovery Health Comprehensive Plan at retirement. The subsidy amount will not increase after retirement. However, at death of the member or the member's spouse, whichever occurs first, the subsidy will reduce to the same percentage of the subscription for a single life as at the date of retirement. It has been assumed that this member will belong to the Discovery Health Comprehensive Essential Plan at retirement.

Continuation members of the HSRC do not receive a certain percentage subsidy of each member's medical aid premium after retirement, but receive a fixed amount based on an actuarial calculation when the member retires. This amount does not increase annually and the full subsidy is payable to the member's dependant on death of the member or to the member on death of the member's dependant, if any.

The membership details of the members in active employment and who are entitled to a subsidy after continuation as at reporting date:

		Number of members		Average past service - years
	2008	2007	**2008**	2007
Male members	**1**	1	**17.3**	16.3
Female members	**-**	-	**-**	-
Total/weighted average	**1**	**1**	**17.3**	**16.3**

The average age of these members was 39.6 years as at reporting date, compared to 38.5 years in respect of the active members as at 31 March 2007.

Details of the continuation members as at reporting date:

		Number of members		Average subsidy per month		Average weighted age - years
	2008	2007	**2008**	2007	**2008**	**2007**
Male members	**41**	40	**588**	593	**73.2**	71.8
Female members	**47**	50	**411**	411	**76.0**	74.5
Total/weighted average	**88**	*** 90**	**492**	**492**	**74.4**	**73.1**

* Included are two new members which were not included in the data provided as at 31 March 2007.

14.5 Valuation results

The results of the current valuation compared to the results as at 31 March 2007 are as follows:

	2008 **R'000**	2007 R'000
14.5.1 Accrued liabilities		
Liabilities in respect of:		
Members in active employment	**86**	82
Current continuation members	**3 673**	4 258
Total	**3 759**	**4 340**

14.5.1 Accrued liabilities continued

The calculation of liabilities is based on the subsidies that are to be paid in the future, and not based on the expected medical utilisation. Assuming that the current level of cross subsidisation between active and continuation members under the medical scheme will continue into the future, the calculated liability represents the employer liability in this regard.

Costs for the period 1 April 2007 to 31 March 2008:	Interest cost R'000	Service cost R'000
Members in active employment	6 000	5 000
Current continuation members	328 000	-
Total	**334 000**	**5 000**

The accrued liabilities of active members increased, by approximately 5%, during the current period. This increase is as a net result of the following factors:

- The change in the average age and average accrued service of the active members qualifying for the subsidy led to additional liabilities of approximately 14%.
- The liabilities have increased by approximately 2% due to higher than expected increases in the monthly subsidies.
- The net change in the assumption in respect of the discount rate and the medical inflation rate has decreased the liabilities by approximately 11%.

The decrease observed in respect of the accrued liabilities of current continuation members of approximately 15% is the net result of the following factors:

- The change in the assumption in respect of the discount rate has decreased the liabilities by approximately 8%.
- One new member was not included in the data provided as at 31 March 2007. The inclusion of this member led to an increase in accrued liabilities of approximately 1%.
- The ageing of the continuation member population as well as the higher than expected decrease in the continuation members led to a reduction in accrued liabilities of approximately 8%.

In order to show the sensitivity of the key assumption used in calculating the liabilities in respect of the active members, the effect was calculated on an increase or decrease of 100 basis points in the medical inflation assumption. The results are as follows:

Accrued liabilities

Assumption	Variation	Accrued liability in respect of active members R'000	change in total accrued liability %
Medical inflation	+ 100 basis points	105	21.2
Medical inflation	– 100 basis points	71	(17.3)

The liability in respect of current continuation members remains R3 673 000 under both scenarios, since it is not affected by medical inflation.

The effect of assumed future subsidy increases of 1%, 3% and 5% annually was calculated in order to show the sensitivity of this key assumption. The results are as follows:

Accrued liabilities	**1% increase R'000**	**3% increase R'000**	**5% increase R'000**
Liabilities in respect of:			
Members in active employment	94	114	141
Current continuation members	3 889	4 405	5 077
Total	**3 983**	**4 519**	**5 218**

14.6.1 Mortality

No mortality rates have been used in respect of the period before retirement. In respect of the period after retirement, the published PA90 (ultimate) mortality tables for males and females respectively were used.

14.6.2 Interest and inflation rate

The basis for the valuation should be based on current market conditions. The future investment return assumption, taking into account the average term of the liabiities, should be based on the yield of the R186 government bond, as at 31 March 2007. The inflation rate is based on the difference between an appropriate index-linked bond, the R197, and the R186 government bond. Medical inflation is expected to exceed general inflation by 3% per annum and no provision for future increases in respect of continuation members are allowed for.

The following valuation assumptions were used compared to the assumptions as at 31 March 2007 which are consistent with the requirements of IAS19:

	2008 % per annum	2007 % per annum
Discount rate	**9.3**	7.7
Expected investment return	**10.8**	9.0
General inflation rate	**6.8**	5.0
Medical inflation rate	**9.8**	8.0
Subsidy increase rate, in respect of continuation members	**-**	-

14.6.3 Withdrawals

No withdrawal assumptions were used for the valuation

14.6.4 Early retirements

An average age was assumed at retirement of 60 years in respect of all members and that the full subsidy will be paid irrespective of the number of years' service.

15. Uncovered foreign currency monetary items

At 31 March 2008, the HSRC had the following foreign exchange currency transaction not covered by forward exchange contracts:

British pound		Euro		US dollar		Canadian dollar	
2008 '000	2007 '000	**2008 '000**	2007 '000	**2008 '000**	2007 '000	**2008 '000**	2007 '000
			Rand				
-	0.29	-	10	2	302	-	5
-	3	-	97	12	2 202	-	31

16. Deferred income

Government grants received, to be recognised in future accounting periods

	2008 R'000	2007 R'000
Balance at the beginning of the year	3 566	4 331
Portion of grant used to acquire depreciable assets	12 746	2 335
	16 312	6 666
Less : Allocated to statement of financial performance	(2 643)	(3 100)
Portion deferred at year-end	13 669	**3 566**

17. Trade and other payables

Trade creditors	990	9 125
Accruals	18 268	10 363
Deposits	116	116
Total	19 374	**19 604**

The Council considers that the carrying amount of trade and other payables approximates to their fair value

18. Income received in advance

DST	5 204	6 555
RNE	2 484	6 268
DGIS	-	1 049
WK Kellogg Foundation	1 317	1 927
World Bank	4 035	-
Other funding agencies	26 799	17 218
Total	39 839	**33 017**

Income received in advance relates to research work still to be completed in the new financial year.

	Salary and related expense provision	Legal cost	Total
19. Provisions			
Opening balance	9 519	229	**9 748**
Provisions made during the year	591	(229)	**362**
Closing balance	**10 110**	-	**10 110**

The leave pay and bonus provision relates to the HSRC's estimated liabilities arising as a result of services rendered by employees.

	2008 R'000	2007 R'000
20. Net cash outflows from operating activities		
Surplus for the year	**7 619**	5 264
Adjusted for:		
– Depreciation on property, plant and equipment	**4 191**	3 794
– Loss on disposal of property, plant and equipment	**162**	-
– Investment income	**(6 229)**	(2 483)
– Increase in provisions	**2 310**	1 662
– Transfer to deferred income (Net)	**10 103**	(765)
Operating cash flows before working capital changes	**18 156**	7 472
Working capital changes	**442**	6 325
– Increase in inventories	**(363)**	(1 245)
– Decrease/(increase) in receivables	**2 467**	(12 927)
– (Decrease)/increase in payables	**(1 662)**	20 497
Net cash inflows from operating activities	**18 598**	**13 797**
21. Net cash outflows from investing activities		
Interest received	**6 229**	2 483
Proceeds on disposal of property, plant and equipment	**-**	42
Acquisition of property, plant and equipment	**(7 356)**	(2 832)
Net cash outflows from investing activities	**(1 127)**	**(307)**

22. Operating lease arrangements

The HSRC has leased office space from Old Mutual Assurance Company (South Africa) Limited at Plein Street, Cape Town, portions of the 10th, 14th and 16th floors and the entire 12th and 13th floors for a period of seven years, effective from 1 October 2006. The lease payment is R0,126 million per month. The contract is expected to include an annual escalation of 9% in the rental.

	Up to 1 year		1 to 5 years	
	2008 R'000	2007 R'000	**2008 R'000**	2007 R'000
Future minimum lease payments	**2 132**	1 937	**6 167**	8 300

The HSRC also leased property in Durban from Alliance Properties. The lease agreement expired on 30 April 2006, the new lease agreement is expected to be signed in June 2006 and it should be effective as from 1 May 2006 and the lease period is expected to be three years. The lease payment is expected to be R0,038 million with a 10% escalation clause.

	Up to 1 year		1 to 5 years	
	2008 R'000	2007 R'000	**2008 R'000**	2007 R'000
Future minimum lease payments	**630**	572	**53**	683

The HSRC also leased property from Diversified Properties 2 (Proprietary) Limited at the corner of York and Sutherland Street, Umtata. The lease is effective from October 2007 and will expire on September 2008. The lease payment is R0,014 million per month.

	Up to 1 year		1 to 5 years	
	2008 R'000	2007 R'000	**2008 R'000**	2007 R'000
Future minimum lease payments	**89**	-	**-**	-

The operating lease undertaken between the HSRC, as the lessor and the Department of Public Works, as the lessee, is conducted currently on a monthly basis. The lease contract is for a period of three years, effective from 1 May 2007. The lease payment is R1,077 million per month with an annual escalation of 9%.

	Up to 1 year		1 to 5 years	
	2008 R'000	2007 R'000	**2008 R'000**	2007 R'000
Future minimum lease payments	**10 291**	-	**12 159**	-

A lease agreement was signed with Standard Bank for lease of a vehicle; the agreement was made effective from 4 October 2005 and for a period of three years. An amount of R0,123 million (incl. VAT) was paid upfront and the lease payment is R0,003 million over 38 months.

	Up to 1 year 2008 R'000	2007 R'000	1 to 5 years 2008 R'000	2007 R'000
Future minimum lease payments	-	36	-	55

	2008 R'000	2007 R'000

23. Capital expenditure

Approved by management, but not yet contracted	14 017	13 100
The capital expenditure is to be financed as follows: Internally-generated funds and grants approved for capital expenditure	14 017	**13 100**

24. Financial instruments

Financial assets		
Cash and cash equivalents	46 864	29 393
Trade receivables	27 652	20 850
Total financial assets	**74 516**	**50 243**
Financial liabilities		
Trade payables	19 374	19 604
Total financial liabilities	**19 374**	**19 604**

25. Financial risk management

The main risks arising from the HSRC's financial instruments are market risk, liquidity risk, credit risk and foreign exchange risk management.

Credit risk

The HSRC trades only with recognised, creditworthy third parties. It is the HSRC's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivables balances are monitored on an ongoing basis with the result that the HSRC's exposure to bad debts is not significant. The maximum exposure is the carrying amounts as disclosed in Note 10. There are no significant concentration of credit risk within the HSRC.

With respect to credit risk arising from the other financial assets of the HSRC, which comprise cash and cash equivalents, the HSRC's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments. The HSRC's cash and cash equivalents are placed with high credit quality financial institutions, therefore the credit risk with respect to cash and cash equivalents is limited.

Exposure to credit risk

The maximum exposure to credit risk at the reporting date from financial assets was:

R'000	2008	2007
Cash and cash equivalents	46 864	29 393
Trade and other receivables	28 848	20 850
Total	**75 712**	**50 243**

Concentration of credit risk

The maximum exposure to credit risk for financial assets at the reporting date by credit rating category was as follows:

2008 R'000	AAA and government	Unrated
Cash and cash equivalents	46 864	
Trade and other receivables		28 848

2007 R'000	AAA and government	Unrated
Cash and cash equivalents	29 393	
Trade and other receivables		20 850

The following table provides information regarding the credit quality of assets which may expose the HSRC to credit risk:

2008 R'000	Neither past due nor impaired	0 - 2 months	More than 2 months	Carrying value
Cash and cash equivalents	46 864			46 864
Trade and other receivables	28 848	20 119	8 729	28 848

2007 R'000	Neither past due nor impaired	0 - 2 months	More than 2 months	Carrying value
Cash and cash equivalents	29 393			29 393
Trade and other receivables	20 850	15 734	5 116	20 850
Market risk				

Market risk

Market risk is the risk that changes in market prices, such as the interest rate will affect the value of the financial assets of the HSRC.

Interest rate risk

The HSRC's exposure to interest risk is managed by investing, on a short-term basis, in current accounts.

Liquidity risk

Liquidity risk is the risk that the HSRC would not have sufficient funds available to cover future commitments. The HSRC regards this risk to be low; taking into consideration the HSRC's current funding structures and availability of cash resources.

The following table reflects the HSRC's exposure to liquidity risk from financial liabilities:

2008	Carrying amount	Total cash flow	Contractual cash flow within 1 year
Other financial liabilities	**19 374**	**19 374**	**19 374**

2007	Carrying amount	Total cash flow	Contractual cash flow within 1 year
Other financial liabilities	19 604	19 604	19 604

Net gains and losses on financial instruments

The following table presents the total net gains or losses for each category of financial assets and financial liabilities:

2008	Designated at fair value R'000	Total R'000
Interest income	**6 868**	**6 868**
Foreign exchange losses	**(77)**	**(77)**
Total net gains recognised in the statement of financial performance	**6 791**	**6 791**

2007	Designated at fair value R'000	Total R'000
Interest income	2 483	2 483
Foreign exchange gains	186	186
Total net gains recognised in the statement of financial performance	**2 669**	**2 669**

Foreign exchange risk management

The Council does not hedge foreign exchange transactions due to the contractual arrangement which effectively designates transactions in ZAR. Most invoices are processed in ZAR to avoid these differences.

Sensitivity analysis

The HSRC is exposed to interest rate changes in respect of returns on its investments with financial institutions and interest payable on finance leases contracted with outside parties.

A change in the market interest rate at the reporting date would have increased / (decreased) the surplus for the year by the amounts below:

2008	**Change in investments**		**Increase / Decrease in net surplus for the year**
		Upward change	***Downward change***
Cash and cash equivalents	**1%**	**211**	**(211)**

2007	**Change in investments**		**Increase / Decrease in net surplus for the year**
		Upward change	***Downward change***
Cash and cash equivalents	1%	90	(90)

26. Related parties

The HSRC is a schedule 3A National Public Entity in terms of the Public Finance Management Act (Act 1 of 1999 as amended) and therefore falls within the national sphere of government. As a consequence the HSRC has a significant number of related parties being entities that fall within the national sphere of government.

Unless specifically disclosed, these transactions are concluded on an arm's length basis. There are no restrictions in the HSRC's capacity to transact with any entity.

The following is a summary of transactions with related parties during the year and balances due at year-end:

	Services rendered 2008 R'000	2007 R'000	Services received 2008 R'000	2007 R'000	Amounts due from 2008 R'000	2007 R'000
Major public entities						
ARC Roodeplaat	**6**	-	**-**	-	**6**	-
Council for Higher Education	**-**	-	**-**	-	**-**	-
The Development Bank of Southern Africa Limited	**250**	251	**-**	50	**-**	1
Educational Labour Relations Council (ELRC)	**-**	100	**-**	-	**-**	-
Eskom	**-**	27	**-**	-	**-**	-
Film and Publications Board	**204**	204	**-**	-	**-**	-
Independent Development Trust	**246**	740	**-**	-	**-**	740
Industrial Development Corp. of South Africa Limited	**473**	1 421	**-**	-	**-**	474
Media Advertising Publishing Printing Packaging SETA	**-**	599	**-**	-	**-**	-
Medical Research Council	**68**	72	**-**	-	**-**	-
MINTEK	**-**	46	**-**	-	**-**	46
National Development Agency	**753**	-	**-**	-	**-**	-
National Heritage Council	**35**	65	**-**	-	**-**	65
National Research Foundation	**-**	-	**-**	-	**-**	-
National Advisory Council on Innovation	**572**	-	**-**	-	**-**	-
National Electronic Media Inst.	**4**	-	**-**	-	**-**	-
SABC	**-**	50	**-**	-	**-**	-
SALGA	**-**	-	**-**	-	**-**	-
SASSETA	**2 000**	-	**-**	-	**-**	-
Stats SA	**268**	-	**-**	-	**-**	-
The SA National Roads Agency	**-**	-	**-**	-	**-**	-
South African Revenue Service	**-**	1 790	**-**	-	**-**	-
State Information Technology	**-**	-	**-**	-	**-**	-
Agency (SITA)	**-**	76	**-**	-	**-**	76
The Universal Service and Access	**-**	-	**-**	-	**-**	-
Agency of SA	**2**	-	**-**	-	**-**	-
The Water Research Commission	**68**	890	**-**	-	**-**	286
Wholesale and Retail SETA	**-**	699	**-**	-	**-**	-
Total	**4 949**	**7 030**	**-**	**50**	**6**	**1 688**

National government business enterprises

	Services rendered 2008 R'000	Services rendered 2007 R'000	Services received 2008 R'000	Services received 2007 R'000	Amounts due from 2008 R'000	Amounts due from 2007 R'000
CSIR – African Advanced Institute for information	-	35	-	-	-	-
CSIR – BioSciences	-	20	-	40	-	-
CSIR – Built Environment Unit	1 824	573	-	-	-	574
CSIR – Central Library Sevice	11	-	-	-	-	-
CSIR – Defence, Peace, Safety and Security	109	90	-	-	-	90
CSIR – Environmentech Pretoria	89	134	-	-	-	134
CSIR – Meraka	120	-	-	-	-	-
CSIR – Natural Resources and the Environment	-	31	-	156	-	-
Total	**2 153**	**883**	**-**	**196**	**-**	**798**
Provincial public entities	-	-	-	-	-	-
Eastern Cape Socio-Economic	-	-	-	-	-	-
Consultative Council (ECSECC)	4	315	-	-	-	158
Total	**4**	**315**	**-**	**-**	**-**	**158**
Grand total	**7 106**	**8 228**	**-**	**246**	**6**	**2 644**

27. Income tax exemption

The HSRC is currently exempt from income tax in terms of section 10(1)(a) of the Income Tax Act, 1962.

28. Critical management assumptions and judgements

Accumulated surplusses

As at 31 May 2008, the HSRC had not received a response from National Treasury with respect to their request to retain the accumulated surplus to cover future expenditure. The HSRC assumes that approval will be granted to retain its surplus funds and has therefore not made any provision for the repayment of surplus funds of R97 905 or any portion thereof to Treasury.

Ring-fenced grants received

The HSRC has not provided for the repayment of the unspent portion of ring-fenced grants received during the year in respect of capital investment and expenditure. The HSRC has already committed the majority of the funds on capital investments (Refer to Note 23).

Provision for doubtful debts
The HSRC has provided for doubtful debts and is of the opinion that the provision raised is reasonable and sufficient to cover any potential irrecoverable amounts in respect of services rendered.

29. Statement of Compliance

At the date of authorisation of these Financial Statements, the following accounting standards of Generally Recognised Accounting Principles (GRAP) were in issue, but not yet effective:

GRAP 4 – The Effects of Changes in Foreign Exchange Rates (not applicable)
GRAP 5 – Borrowing Costs (not applicable)
GRAP 6 – Consolidation and Separate Financial Statements (not applicable)
GRAP 7 – Investments in Associate (not applicable)
GRAP 8 – Interest in Joint Ventures (not applicable)
GRAP 9 – Revenue from Exchange Transactions (not applicable)
GRAP 10 – Financial Reporting in Hyperinflationary Economies (not applicable)
GRAP 11 – Construction Contracts (not applicable)
GRAP 12 – Inventories
GRAP 13 – Leases
GRAP 14 – Events after the Reporting Date
GRAP 16 – Investment Property (not applicable)
GRAP 17 – Property, Plant and Equipment
GRAP 18 – Segment Reporting (not applicable)
GRAP 19 – Provisions, Contingent Liabilities and Contingent Assets
GRAP 23 – Revenue from Non-exchange Transactions (Taxes and Transfers) (not applicable)
GRAP 24 – Presentation of Budget Information in Financial Statements
GRAP 100 – Non-current Assets held for Sale and Discontinued Operations (not applicable)
GRAP 101 – Agriculture (not applicable)
GRAP 102 – Intangible Assets

Management believes that the adoption of these standards in future periods will have no material impact on the Financial Statements of the HSRC as most of them are irrelevant and those that are relevant are to a greater extent similar in application and disclosure as the GAAP standards applied currently.

The above-mentioned statements will be implemented on 1 April 2009.

30. Comparative figures

The comparative figures in respect of the disclosure of the equalisation of certain operating leases have been restated. The relevant information in respect of the operating leases were not available in the previous year.

31. Contingent liability

The HSRC has requested approval from National Treasury to retain its surplus funds. The surplus funds would be utlised to cover future expenditure. The HSRC has as yet not received a response from National Treasury regarding the retention of the surplus funds. If approval is not granted by National Treasury, the surplus funds of R97 905 or a portion thereof should be reimbursed to National Treasury.

The Human Sciences Research Council report of the Audit Committee

for the year ended as at 31 March 2008

We are pleased to present our report for the financial year ended 31 March 2008.

Audit Committee Members and Attendance:

The Audit Committee of the HSRC (the "Committee") consists of the members listed hereunder and is required to meet 4 times per annum as per its approved terms of reference. During the year under review, 4 meetings were held.

Name of member	Number of meetings attended
Mr SM Pityana (Chair)	4
Mr A Mashifane (from 25/07/07)	2
Mr RJ Page-Shipp	3
Ms R Xaba	4
Professor WE Morrow	3
Dr O Shisana (CEO and President)	4

The Committee's meetings have regularly included the internal auditors and representatives from the Auditor-General's Office.

Audit Committee responsibility

The Committee reports that it has adopted appropriate formal terms of reference as its charter. The Committee also reports that it has regulated its affairs in compliance with this charter and has discharged all its responsibilities as contained therein.

Accordingly, the Committee operates in accordance with the terms of the said charter and is satisfied that it has discharged its responsibilities in compliance therewith.

The Committee further reports that it has complied with its responsibilities arising from **section 51(1)(a) of the Public Finance Management Act** (the "PFMA") and **Treasury Regulation 27.1.**

The effectiveness of internal control

The system of control is designed to provide cost-effective assurance that assets are safeguarded and that liabilities and working capital are efficiently managed. In line with the PFMA and the King II Report on Corporate Governance requirements, Internal Audit provides the Committee and management with assurance that the internal controls are appropriate and effective. This is achieved by means of the risk management process, as well as the identification of corrective actions and suggested enhancements to the controls and processes.

During the year under review, there was no report of significant or material non-compliance with prescribed policies and procedures (either by qualification or emphasis of matter or both) from any of the various reports obtained from the Internal Auditors, the management letter of the Auditor-General, as well as the Audit Report on the Annual Financial Statements. Accordingly, the Committee reports that the system of internal control for the year under review was efficient and effective.

The quality of in year management and monthly/quarterly reports submitted in terms of the PFMA and the Division of Revenue Act.

The Audit Committee is satisfied with the content and quality of monthly and quarterly reports prepared and issued by the Accounting Officer of the HSRC during the year under review.

Evaluation of Financial Statements

The Audit Committee has:

- reviewed and discussed the audited Annual Financial Statements to be included in the annual report, with the Auditor-General and the Accounting Officer;
- reviewed the Auditor-General's management letter and management's response thereto;
- reviewed changes in accounting policies and practices; and
- reviewed all adjustments resulting from the audit.

The Audit Committee concurs and accepts the Auditor-General's conclusions on the Annual Financial Statements, and is of the opinion that the audited Annual Financial Statements be accepted and read together with the report of the Auditor-General.